

# Pittsburgh Region

## *Promoted Volume Plan*

*January 24, 1997*

# Full Price

## ■ Objective

- Defend RJR full price volume and share from competitive discounting activity in a cost effective manner.

## ■ Strategy

- Cost effectively execute the gap strategy to maintain an acceptable price gap between RJR full price brands and key competitive branded savings.

## ■ Tactic

- Develop a plan to maintain a 25% promoted volume level in the market place on key RJR full price brands. (W/S/C)

## ■ Analyzing Process

- Measure plan results via MSA for Sales Area; Marlin for Region; and AIM for divisions.

## Full Price

### ■ 1996 Learning - - Marlin

- Convenience Gas: All brands are low.
  - » Camel XNF 17.41%
  - » Winston 12.61%
  - » Salem 8.55%
- Supermarkets
  - » Salem is at 21.85%, finishing strong in the second half.
  - » Camel is low as expected.
- Other Outlets
  - » Salem is low at 15.45%.
  - » Camel is low at 18.75%, however, finished strong.

## **Factors that will affect our 97' PV levels:**

- **CIV by Segment (C/G, SM, O/O, CTS)**
- **Retail Accrual Dollars**
- **PMX and Lockout Accounts**
- **Low Volume Calls (no coverage)**
- **Division Grids**
- **Brands' Business by Outlet Type**
- **PM Defense Program**
- **RJR Contracted Universe**
- **Competitive Activity (Savings)**

***These factors must all be built into plan!***

## Controllable CIV

- We must first determine how much CIV we can control:
  - “**Controllable CIV**” will equal total CIV with PMX/RJR lockout CIV and low volume CIV factored out.
- This formula must be applied to each segment.

## Target Adjustments

- Camel supermarket CIV target must be shifted to Convenience/Gas.
- This makes sense as 60% of Camel XNF business is in Convenience/Gas.

## Total Funding Needed

■ Total Accrual \$\$'s Available <i>(Base &amp; RJR Match)</i>	<b>\$7,501,460</b>
■ Cartons Promoted	<b>3,000,584</b>
■ PV%	<b>14.50%</b>
■ Gap \$\$ Needed to Hit 25%	<b>\$5,430,810</b>

## Potential Savings

■ 1996 Gap Spending	<b>\$11,803,403</b>
■ 1996 Retail Accrual Spending	<b>\$ 7,922,550</b>
■ Total 1996 Spending	<b>\$19,725,953</b>
■ Projected 1997 Plan Spending	<b>\$12,932,270</b>
■ Plan Savings	<b><u>\$6,793,683</u></b>





# Action Plans

## Convenience/Gas: Action Plan

**Top priority is to sell retail accrual match!**

- KAM/AM/SR's determine PV coverage of accrual \$\$'s and plan spending.
- Ensure all Region C/G outlets with Level II/III Merchandising Contract and Level II/III Retail Accrual Match, reach the 33% PV target.  
(Camel 39%; Winston 30%, Salem 30%)

## Convenience/Gas: Action Plan

### ■ Chains

- If accrual \$\$'s cover over 33%:
  - » 12 week PM response
  - » 1 week/quarter - RR's use 25% gap (4)
  - » KAM/AM's to schedule remaining weeks.
- If accrual \$\$'s cover under 33%:
  - » Determine # weeks needed for 33% PV (C-21, W/S-16)
  - » 12 week PM response
  - » 1 week/quarter - RR's use 25% gap (4)
  - » KAM's/AM's to schedule remaining weeks. (Camel 5)
- KAM's/AM's to submit plan for each chain. (Template)
  - » Utilize chain's competitive promotional calendar to target programs. (Example attached)

## Convenience/Gas: Action Plan

### ■ Independents

- SR's to OB/PB at 33% PV rate in Independents with LII/III Merchandising Contracts and LII/LIII Retail Accrual Match. Plan accrual as follows:
  - » 12 week PM response
  - » 1 week/month 33% PV; twice/quarter, excluding PM response months (8) (Camel 40%; Winston/Salem 30%)
  - » Minimum of 17 weeks.
- Independents with LI Merchandising Contract/LI Retail Accrual and Non-Match Accruals - capped at accrual \$\$'s or 25% PV, whichever is greater.
- SR's to be supplied with 33% PV grids with "by outlet" and "by brand" information. (Example attached)

## Supermarkets: Action Plan

### *Top priority is to sell retail accrual match!*

- Spend accrual \$\$'s on Winston and Salem only.
- Plan accrual spending around grid limitations. (Winston - 1729, 1732, and 1733 only)
- All "match" LII/LIII participants receive Retail Accrual \$\$'s or 30% PV level, whichever is greater.
  - If accrual \$\$'s cover over 30%:
    - » 12 week PM response
    - » 1 week/quarter - RR's use 25% gap
    - » KAM's/AM's to schedule remaining weeks.
  - If accrual \$\$'s cover less than 30%:
    - » Determine weeks needed for 30% PV (16)
    - » Subtract 12 week PM response
    - » 1 week/quarter - RR's use 25% gap (4)

## Supermarkets: Action Plan

- KAM's/AM's submit plan for each chain.
  - Use chain's competitive promotional calendar to target programs.
- SR's OB/PB at 30% PV rate in independents with LII/LIII Retail Accrual Match. (Example Attached)
  - 12 week PM response.
  - 1 week/month at 30% PV, excluding PM response month (8)
  - Schedule remaining weeks.
  - Minimum of 16 weeks.
- Non-match accounts capped at accrual \$\$'s or 25% PV, whichever is greater.

## Other Outlets: Action Plan

### *Top priority is to sell retail accrual match!*

- KAM/AM's to determine PV coverage of accrual \$\$'s & plan spending.
- Ensure all Region O/O's with LII/LIII Merchandising Contract and Level II/III Retail Accrual Match reach the 33% PV target. (C/W/S)
- Chains
  - If accrual \$\$'s cover over 33%:
    - » 12 week PM response
    - » 1 week/quarter - RR's use 25% gap (4)
    - » KAM/AM's to schedule remaining weeks.
  - If accrual \$\$'s cover under 33%:
    - » Determine # weeks needed for 33% PV (17)
    - » Subtract 12 week PM response & 1 week/quarter for RR gap (4).
    - » KAM/AM's to schedule remaining week. (1)
  - KAM's/AM's to submit plan for each chain.
    - » Use chain's competitive promotion calendar to target programs.

## Other Outlets: Action Plan

### ■ Independents

- SR's to OB/PB at 33% PV rate in Independents with LII/III Merchandising Contracts and LII/LIII Retail Accrual Match. Plan accrual as follows:
  - » 12 week PM response
  - » 1 week/month 33% PV; twice/quarter, excluding PM response months (8)
  - » Schedule remaining weeks.
  - » Minimum of 17 weeks.
- Independents with LI Merchandising Contract/LI Retail Accrual and Non-Match Accruals - capped at accrual \$\$'s or 25% PV, whichever is greater.
- SR's to be supplied with 33% PV grids with "by outlet" and "by brand" information.



# Cigarette Tobacco Store: Action Plan

## *Top priority is to sell retail accrual match!*

- Target of 50% PV for all outlets meeting the following criteria:
  - Zoning
  - Level II Enhanced/Level III Merchandising Contract
  - Level II/III Retail Accrual Match
- 50% PV \$\$'s available to be determined by the following:
  - Calculating total # cartons of W/S/C to promote in order to achieve 50% PV.
  - Take this total times \$2.00 AFV to equal available \$\$'s.
  - Fund with accrual base and match \$\$'s first, then by gap \$\$'s.

## Cigarette Tobacco Store: Action Plan

- The following strategy will then be worked:
  - Salem/Camel Menthol: Match competitive menthol (Kool/Newport); \$3.00 cap.
  - Winston/Camel: Discount to a price point with a maximum level of \$2.00.
  - Fund with accrual base and match \$\$'s first; then by gap \$\$'s.
  - Going to a price point will enable us to reduce our discount levels and the retailer will be able to increase their promoted volume.
- For accounts with Level II standard contracts, the higher of accrual dollars or 30% PV should be utilized.
- In highly developed CTS markets, promote at market place value, i.e. \$2.00.

## Conclusion

- PV plan will increase our PV levels to where they need to be to hold our business on key full price brands.  
(Emphasis on C/G)
- More effectively target our Retail Accrual spending and maintain point of difference for Level II/III Match accounts.
- Decrease our overall spending versus 1996.  
(Gap/Accrual)
- Level off our promotional spending in Cigarette Outlets and surrounding Partner accounts.